

Lapis Global Top 25 Crypto Asset Index



Crypto Assets as the Next Evolutionary Step in Digitization

Introduction

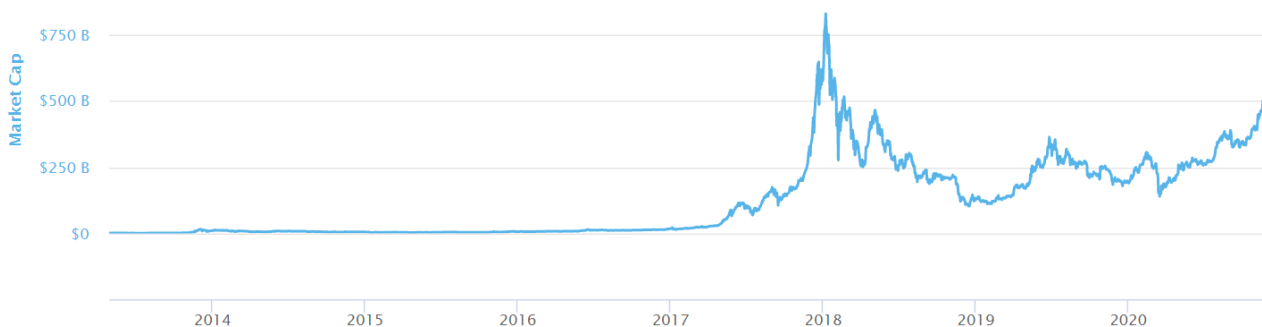
The world's first cryptocurrency **Bitcoin** was created in **2009** by Satoshi Nakamoto (pseudonym). At the beginning, Bitcoin had a shadow existence for several years and did not gain media attention until the early part of 2017. Bitcoin is based on a **decentralized transaction system (blockchain technology)** that enables **fast, inexpensive, transparent, and secure transactions** to take place on a global basis including emerging countries. The enormous hype in 2017 led to a price explosion **from USD 1,000 to almost USD 20,000** by the end of the year. In the following months, however, Bitcoin had to endure a bitter dry spell until a new upward trend was set in motion at the beginning of 2019. This development and the associated volatility are **typical for ground-breaking technological innovations**. When the **Internet** was first developed, very few believed that it would one day make the breakthrough and become a mass application. Even the technology companies listed on the American stock index Nasdaq formed a bubble at the turn of the millennium. Even though this bubble burst soon afterwards, not all technology companies disappeared from the screen. On the contrary, the well-known technology companies such as Apple, Google (Alphabet) and Amazon have become the **world's largest and most successful companies**. Many experts believe that **blockchain technology could repeat the Internet's success story** by transforming today's Internet of information into an Internet of values. Against this background, crypto assets (aka digital assets or tokens) which are based on the blockchain technology have **enormous price gain potential in the long term**. The **digitalization of assets** is considered as the next big wave in the evolving digital transformation of the economy. At present, not only **banks, asset managers and stock exchanges** are concerned with crypto assets, but also **most central banks** around the globe. The central banks of Sweden and China are among the world's first movers in Central Bank Digital Currencies (CBDC). Recently, even the payment provider **PayPal** announced that their customers will be able to pay with Bitcoin as of 2021.

Market Overview

As per end of November 2020, there are more than **7,700 cryptocurrencies or tokens** in addition to Bitcoin. However, one must differentiate between the following **types of tokens** (according to the Financial Market Authority of Switzerland, FINMA):

- **Payment Tokens:** They are used for payment purposes (e.g. Bitcoin, BTC)
- **Utility Tokens:** They provide access to an application or platform (e.g. Ether, ETH)
- **Asset Tokens (Security Tokens):** They represent shares, bonds, or real estate in the form of tokens. This category also includes stablecoins, which are backed by assets such as fiat currencies or gold and therefore have a lower volatility.

As the mother of all cryptocurrencies, **Bitcoin** still retains a significant market share of approximately **60% of the total market capitalization**. The following chart shows that the total market capitalization of all tokens as per end of November 2020 is **around USD 530 bn** (source: www.coinmarketcap.com):



The comparison between the total **market capitalization of tokens (USD 530 billion)** and **global market capitalization of equities** or **global money supply** (both around **USD 90,000 billion**) clearly expresses that the market for crypto assets is small and still in its infancy but with **enormous upside potential**. However, this early stage of development is also **associated with increased risk**. It is for this reason that from an investor's perspective **optimal diversification** is essential to reduce risk. Institutional investors such as **pension funds** are currently still reluctant to invest in crypto assets. The continuing low or even negative interest rate environment is increasingly forcing them to search for new sources of return. If pension funds invest more in crypto assets in the coming years, this **might boost the price trend even further**.

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Our unique **Lapis Global Top 25 Crypto Asset Index** serves both as **underlying** of our crypto investment products and as a **benchmark** for other crypto investment strategies. It consists of **the world's largest crypto assets** and **excludes** all **stablecoins** (limited upside potential) and crypto assets that cannot be safely stored by our **custodian** at present. All **private keys** (access codes to the crypto assets on the blockchain) are kept by our custodian under the **highest security standards**. We use a **three-stage equal weighting model** where the **largest 3 crypto assets** are weighted with **15 %** each, the crypto assets ranked as **4th and 5th** are weighted with **7.5 %** each, and the **last 20** crypto assets are weighted with **2 %** each. In addition, a **quarterly rebalancing** takes place, in which the **original weightings are restored**. As of December 2020, we launch an **Actively Managed Certificate (AMC)** which will provide our private and institutional clients with a **unique and secure access** to the promising world of crypto assets. The AMC has a **security identification number (ISIN)** and can be deposited **securely and conveniently in the securities account at the bank**, just like other securities.

Our index is suitable mainly for those investors who have a **high risk tolerance** and want to participate in the crypto asset markets. The underlying blockchain technology has an enormous potential and a wide range of applications. In the future, **decentralization** could play an increasingly **important role**. Some of today's crypto assets will no longer exist in the future, but those that will survive offer an **outstanding return potential**.

We would welcome the opportunity to explain the advantages of our unique Crypto Asset Index in a **personal advisory meeting** to determine a **long-term and optimal investment strategy** that would both reflect your **risk profile** and meet your **investment objective**. Additional information on the performance and relevant financial ratios of our Crypto Asset Index will be provided upon request. For further information please visit our website: **www.lapis.finance**.

Sincerely,

Andreas Wueger
CEO

Prof. Ernesto Turnes
Chairman (author of a book about blockchain)

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